

CLASSIFICATION SECRET/

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

COUNTRY Czechoslovakia

SUBJECT National Budget for 1952

PLA
ACCDAT
ACC

DAT

25X1

NO. OF ENCLS.
(LISTED BELOW)SUPPLEMENT TO
REPORT NO.

25X1

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. THE TRANSMISSION OR REVELATION OF ITS CONTENTS TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS PAGE IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE

25X1

1. The national budget of Czechoslovakia for 1952 was announced with a big fanfare but very few details were included. Indeed, never before to my knowledge was less information given about the financial state of the nation. Neither Rude Pravo nor Radio Prague gave many concrete figures. The only basic figures published were the following:

Income

	Kcs
(a) National enterprise and its administration..	262,215,872.00
(b) Cultural and social administration.....	9,280,673.00
(c) National Security.....	829,838.00
(d) Administration (state).....	51,955,913.00
Total	324,282,296.00

Expenditures

(a) National enterprise and its administration..	217,499,273.00
(b) Cultural and social administration.....	58,779,269.00
(c) National Security.....	22,452,996.00
(d) Administration (state).....	20,095,605.00
(e) National debt.....	4,701,798.00
Total	323,528,941.00

Net surplus..... 753,355.00

Much more enlightening than these figures were the statements made in the parliamentary debates on the budget. Even though all the speeches were prepared in advance and carefully censored by the Communist Party, they still contained some interesting indications.

CLASSIFICATION

STATE X NAVY X AEC X
ARMY X AIR X FBI X

25X1

25X1

25X1

SECRET

25X1

2. During a news broadcast on Radio Prague, [] it was admitted publicly for the first time that Czechoslovakia was engaged in a huge rearmament program. Until that time, there had been no indication that Czechoslovakia was not only rearming herself but other Satellites, and that this program was carried out expeditiously. The budget debate in Parliament was used to stress the rearmament program and no one less than the Minister of National Defense, Army General Dr Alexej Cepicka, launched the propaganda drive. After stressing the danger of arms in the hands of the "Western Imperialists", he stated that weapons in the hands of the "Partisans of Peace" would mean not only peace and national security but a higher standard of living as well. He went on to say that rearmament was the primary responsibility of each citizen. Such arguments, in very un-Czech-like language (using many phrases translated literally from Russian), show a complete lack of knowledge of the psychology of the Czech and must have sounded completely stupid to the people; for that reason I conclude that such propaganda emanated directly from Moscow. If this is true, then the Czech CP no longer has a free hand in propaganda matters, but simply dishes out the lies supplied by Moscow.
3. The budget for the 1952 fiscal year includes, for the first time in Czech history, the entire national income, simply because there is almost no private enterprise left in the CSR. To someone unfamiliar with the present Czech economy, the seven per cent of the budget allotted for national defense seems comparatively small. But even if expenditures for defense were not camouflaged in other appropriations, this figure represents seven per cent of the entire national income, and is therefore extremely high. Another important factor is that supplies and services for the armed forces and the "defense" of the country are not subject to the general tax (vseobecna dan). For example, if an individual wanted to buy a new Skoda automobile, it would cost him about 470 thousand Kcs; the tax on the car would amount to some 400-500 thousand Kcs. The Army, however, could purchase the same car for 70 thousand Kcs since it is exempt from paying the general tax. This general tax has a tremendous effect on the economy of the country; it includes many of the taxes known in non-Socialist countries under various other names. The general tax, wrongly termed the consumer tax, is about the only important tax in the CSR today. It varies from several tenths of a per cent to several hundreds per cent. In an editorial in Rude Pravo, 25 Mar 52, it was admitted that the expenditures for national security and national defense (meaning the army and the police system) increased a full 43% over the previous year.
4. In the issue of Rude Pravo of 27 Mar 52, Antonin Fiala, Vice President of Parliament and member of the Czech Socialist Party, was quoted as saying, "Also during 1952 our nature will be changing her face with the construction of 16 hydro-electric power plants which in a relatively short time will increase available power by 8.5 billions kwh which will result in a saving of 8.5 million tons of coal. The water riches we will tap by 12 big dams." The article went on to say that even though the overall program of the construction industry (stavebni prumysl) was fulfilled by only 92.5% in 1951, the volume of the construction was 170% over pre-war years. The last statement actually means very little as it does not explain what is meant by volume nor does it name the pre-war year in the comparison.

SECRET

25X1

25X1

25X1

5. Fiala is also pointing out that "during 1951 the following was constructed: 1,101,047 sq m of space for new factory halls and another 1,101,047 sq m of space for other industrial purposes and transportation. In addition there was constructed 616,616 sq m for agriculture, and 382,524 for social and health purposes, 267,057 sq m for culture and 353,000 sq m for administrative purposes, some 23,000 units of living quarters and 521,000 sq m for collective living (dormitories, homes for bachelors, etc.)."
6. Fiala pointed out in the supplementary debate on the budget, that during 1951 some 10,000 living quarters would be created. From further calculations it can be concluded that this improvement would affect practically only the most important industrial centers such as Ostrava, Kuncovice, Hradec Kralove, etc. In the case of Ostrava, it is planned to build as many new houses as the total number of houses in Ostrava-Budojovice. It can be assumed that either the building is done in the centers mentioned or the plans will be to building materials left over for the rest of the country.
7. During the budget debate it was enough to say the "turn-over" in butter had been in 1950; sugar, eight per cent; margarine, eight per cent; textiles, 16 per cent. It is thus impossible to tell whether turnover refers to the quantity of goods or the cost. If the figures are accurate, I feel certain that they refer to cost. Consumption of goods must have decreased drastically in view of the following facts: In 1950-51 many prices rose sharply at the same time that rations were considerably decreased, therefore people were forced to buy on the official free market. The difference between rationed prices and free prices was enormous; in the case of some foods, as much as 250-500 per cent. Another fact which substantiates the decrease in the standard living is that during the parliamentary debate, one MP complained that, in comparison with industrial output, agricultural production had shown no increase over 1950. In fact, agricultural production had actually decreased. This points out the inefficiency and actually the failure of the farm cooperative program, as well as the passive resistance of the peasants. It is true that the population has decreased by one and one-half million since before World War II, but it should also be remembered that prior to the war Czechoslovakia imported food from the West. Today such imports come only from the Soviet Union. It is my opinion that the reduction in agricultural output cannot be accounted for by the loss of population.
8. The overall picture of the new state budget would support the official assertion that Czechoslovakia's industrial output in 1951 was about 50 per cent of the 1938 level, or about 100 per cent of the pre-World War I level.

-end-

SECRET

25X1